

GAO

Report to the President of the Senate and  
the Speaker of the House of  
Representatives

March 1986

# FINANCIAL AUDIT

David R. Ramage, Inc.,  
Financial Statements—  
August 31, 1984 and  
1983



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**Comptroller General  
of the United States****B-164163**

March 28, 1986

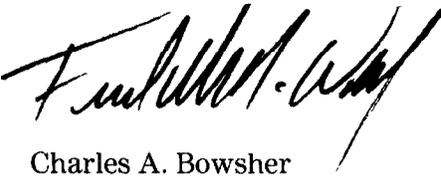
To the President of the Senate and the  
Speaker of the House of Representatives

Pursuant to section 451 of the Legislative Reorganization Act of 1970 (40 U.S.C. 193m-1), which authorizes GAO to audit private organizations conducting activities on the Capitol grounds, we have examined the balance sheets of David R. Ramage, Inc., the totally owned corporation of the majority printing clerk, House of Representatives, as of August 31, 1984 and 1983, and the related statements of operations, retained earnings, and changes in financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on October 29, 1985.

In our opinion, the financial statements referred to above present fairly the financial position of David R. Ramage, Inc., as of August 31, 1984 and 1983, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 2 to the financial statements, applied on a consistent basis.

Appendix I contains our report on internal accounting controls and compliance with laws and regulations. Appendixes II through VI present the corporation's financial statements and accompanying notes for the years ended August 31, 1984 and 1983.

The Legislative Reorganization Act of 1970 requires that the results of our audit be reported to the Congress. We are sending copies of this report to cognizant congressional committees, the House majority leader, and to the House majority printing clerk. Copies will be available for Members of the House and Senate as well as the public.

*for*   
Charles A. Bowsher  
Comptroller General  
of the United States

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# Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the financial statements of David R. Ramage, Inc., for the fiscal years ended August 31, 1984 and 1983. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting controls and to our review of compliance with laws and regulations for the year ended August 31, 1984. (Our report on internal accounting controls and compliance with laws and regulations for the year ended August 31, 1983, is presented in GAO/AFMD-85-23, dated April 11, 1985.)

We did not complete a study and evaluation of the corporation's internal control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the corporation's financial statements. Rather, we concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the fiscal years ended August 31, 1984 and 1983.

While we did not study and evaluate the corporation's internal control system, we did not become aware of any condition, during our expanded substantive audit tests, which we believe to be a material system weakness. In audits where we do study and evaluate the internal control system, material weaknesses in the internal control system would not necessarily be disclosed. Accordingly, even in such cases, we would not be able to express an opinion on the system taken as a whole.

As part of our examination, we also tested the corporation's compliance with applicable laws and regulations. In our opinion, David R. Ramage, Inc., complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention in connection with our examination that caused us to believe that the corporation was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.



# Balance Sheet

	August 31,	
	1984	1983
<b>Assets (note 2)</b>		
Current Assets		
Cash:		
Checking account	\$550,630	\$305,555
Pension plan escrow	28,355	26,194
Relocation fund	18,816	17,382
Land and building fund	31,527	29,124
Accounts receivable—trade	483,040	272,552
Accounts receivable—officers	3,800	5,200
Accounts receivable—other	4,779	10,482
Accrued interest receivable	785	533
Inventory at cost	118,237	60,876
Prepaid expenses	10,761	12,703
<b>Total current assets</b>	<b>1,250,730</b>	<b>740,601</b>
Fixed Assets		
Land	88,958	88,958
Printing equipment	448,252	432,602
Station wagons	22,958	19,136
Furniture and equipment	2,252	1,641
	562,420	542,337
Less accumulated depreciation	270,718	190,721
<b>Total fixed assets</b>	<b>291,702</b>	<b>351,616</b>
Loan receivable from officer	0	3,900
<b>Total Assets</b>	<b>\$1,542,432</b>	<b>\$1,096,117</b>

**Appendix II  
Balance Sheet**

	<b>August 31,</b>	
	<b>1984</b>	<b>1983</b>
<b>Liabilities and Stockholder's Equity</b>		
<b>Liabilities</b>		
Accounts payable	\$108,382	\$147,809
Notes payable	0	10,218
Pension plan payable (note 3)	45,000	44,161
Accrued taxes	120,845	54,158
Accrued salaries	16,274	4,951
Accrued interest	0	4
Unearned income	764	502
<b>Total liabilities</b>	<b>291,265</b>	<b>261,803</b>
<b>Stockholder's Equity</b>		
Capital stock—common:		
\$10 par value, 5,000 shares authorized, 100 shares issued, and outstanding	1,000	1,000
Retained earnings	1,250,167	833,314
<b>Total stockholder's equity</b>	<b>1,251,167</b>	<b>834,314</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$1,542,432</b>	<b>\$1,096,117</b>

The accompanying notes are an integral part of this statement.

# Statement of Operations

	Fiscal years ended August 31,	
	1984	1983
<b>Net Sales</b>	<b>\$4,188,105</b>	<b>\$2,345,823</b>
<b>Printing Expenses</b>		
Salaries and wages	704,246	515,504
Union pension fund	18,519	11,748
Union welfare fund	40,392	29,829
Material and paper	1,717,174	762,094
Camera supplies	46,012	50,111
Type, composition, and ink	110,483	50,325
Express mail and postage	851	536
Repairs and parts	36,021	29,139
Leased equipment (note 4)	60,422	53,998
Depreciation	87,083	77,944
Subcontracts	184,126	163,290
Taxes	52,188	42,927
<b>Total printing expenses</b>	<b>3,057,517</b>	<b>1,787,445</b>
<b>Gross profit from sales</b>	<b>1,130,588</b>	<b>558,378</b>
<b>Administrative Expenses</b>		
Officers' salaries	122,820	105,728
Office salaries	62,871	45,502
Employee pension plan (note 3)	37,992	50,715
Telephone	413	542
Insurance	51,939	35,439
Promotion	3,650	3,219
Legal	25,274	9,152
Vehicle expense	3,401	3,386
Bad debts	2,096	0
Contributions	1,080	0
General expense	3,030	3,406
Depreciation	7,090	5,772
Interest expense	77	6,513
Taxes	13,873	12,822
<b>Total administrative expenses</b>	<b>335,606</b>	<b>282,196</b>
<b>Net operating income</b>	<b>\$794,982</b>	<b>\$276,182</b>

**Appendix III  
Statement of Operations**

	Fiscal years ended August 31,	
	1984	1983
<b>Nonoperating Income</b>		
Interest income	\$17,023	\$12,140
Gain on sales of assets	4,900	0
<b>Total nonoperating income</b>	<b>21,923</b>	<b>12,140</b>
<b>Income before taxes</b>	<b>816,905</b>	<b>288,322</b>
<b>Provision for Franchise and Income Taxes</b>		
District of Columbia	81,543	28,718
Federal (note 5)	318,509	95,445
<b>Total provision for franchise and income taxes</b>	<b>400,052</b>	<b>124,163</b>
<b>Net Income</b>	<b>\$416,853</b>	<b>\$164,159</b>
<b>Earnings Per Share</b>	<b>\$4,168</b>	<b>\$1,641</b>

The accompanying notes are an integral part of this statement.

# Statement of Retained Earnings

	Fiscal years ended August 31,	
	1984	1983
<b>Balance at Beginning of Year</b>	<b>\$833,314</b>	<b>\$709,155</b>
Net income	416,853	164,159
	1,250,167	873,314
Less dividends paid	0	40,000
<b>Balance at End of Year</b>	<b>\$1,250,167</b>	<b>\$833,314</b>

The accompanying notes are an integral part of this statement.

# Statement of Changes in Financial Position

	Fiscal years ended August 31,	
	1984	1983
<b>Funds Provided</b>		
Net income from operations	\$416,853	\$164,159
Depreciation—not requiring an outlay of cash	94,173	83,715
Decrease in long-term loan receivable	3,900	5,200
Write-off of bad debts	2,096	0
<b>Total funds provided</b>	<b>\$517,022</b>	<b>\$253,074</b>
<b>Funds Applied</b>		
Disposal of fixed assets (net)	\$16,272	\$14,369
Purchase of fixed assets	20,083	48,240
Dividends paid	0	40,000
Increase in working capital	480,667	150,465
<b>Total funds applied</b>	<b>\$517,022</b>	<b>\$253,074</b>
<b>Analysis of Working Capital Increases and (Decreases)</b>		
<b>Working Capital Changes</b>		
Checking account	\$245,075	\$57,563
Pension plan escrow	2,161	(7,574)
Relocation fund	1,434	1,441
Land and building fund	2,403	2,374
Accounts receivable—trade	210,488	(43,295)
Accounts receivable—officers	(1,400)	0
Accounts receivable—other	(5,703)	6,826
Accrued interest receivable	252	(466)
U.S. estimated tax deposits	0	20,138
Inventory (cost)	57,361	(26,352)
Prepaid expenses	(1,942)	7,014
Accounts payable	39,427	116,435
Note payable	10,218	56,983
Pension plan payable	(839)	6,884
Accrued taxes	(66,687)	(49,378)
Accrued salaries	(11,323)	848
Accrued interest payable	4	1,266
Unearned income	(262)	(242)
<b>Net Increase in Working Capital</b>	<b>\$480,667</b>	<b>\$150,465</b>

The accompanying notes are an integral part of this statement.

# Notes to Financial Statements

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## Note 1. Organization

David R. Ramage, Inc., is the totally owned corporation of David R. Ramage, who is the majority printing clerk, House of Representatives. The corporation was incorporated on February 13, 1970. Its offices and printing plant are located in the west underground garage of the House of Representatives. Through the corporation, Mr. Ramage does official printing for the majority leadership without charge. Printing and related services are provided for a fee to Members of Congress, congressional committees, state societies, and political organizations.

The position of majority printing clerk was established by House Resolution 295 (July 7, 1943, 78th Congress), which authorized the employment of a clerk in charge of printing for the majority caucus room and provided that the clerk be appointed by the majority leader. From 1943 through 1978, the majority clerk's pay increased from \$2,000 to \$16,743 per annum from specifically appropriated funds. Because the clerk was earning a sufficient amount from his corporate activities, effective October 1, 1978, appropriations for the clerk's salary were terminated. Since then, the clerk has received a small salary as a staff member in the Office of the Majority Leader—\$1,567 for fiscal year 1984.

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## Note 2. Significant Accounting Policies

Certain benefits and services, such as space, utilities, and ordinary building repairs and maintenance, are paid from appropriated funds and furnished to the corporation at no charge.

Depreciation of assets placed in service prior to 1981 is provided at rates based on estimated useful lives using the straight-line method. Depreciation equivalent to the accelerated cost recovery system was used for assets placed in service after January 1, 1981.

New printing equipment and office furniture and equipment are depreciated over a 10-year period. Used printing equipment is depreciated over 5 years, while automotive equipment is depreciated over 3 years.

Investment tax credit is accounted for on the flow-through method, which treats the credit as a reduction of taxes for the year in which the credit arises.

Inventory is valued at cost on a first-in, first-out basis.

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## Note 3. Pension Plan

The corporation has a defined benefit pension plan covering its employees. The corporation's policy is to fund pension costs accrued.

The expenses for this plan for the years ended August 31, 1984 and 1983, were \$37,992 and \$50,715, respectively. A comparison of accumulated plan benefits and plan net assets for the corporation's pension plan, assuming rates of return of 6 percent, as of the two most recent actuarial valuation dates, is presented in table VI.1.

Table VI.1: Pension Plan Benefits and Net Assets

	8/30/83	8/30/82
Actuarial present value of accumulated plan benefits:		
Vested	\$282,622	\$230,840
Nonvested	0	12,182
<b>Total</b>	<b>\$282,622</b>	<b>\$243,022</b>
<b>Plan net assets available for benefits</b>	<b>\$236,201</b>	<b>\$187,503</b>

Note 4. Leased Equipment

The corporation has operating leases for certain duplicating and computer graphic equipment. Leases are on an annual basis with the option of terminating the leases at any time.

Note 5. Income Taxes

Differences between the estimated federal income taxes at the statutory rates and the amounts provided are shown in table VI.2.

Table VI.2: Provision for Federal Income Tax

	Fiscal years ended August 31,	
	1984	1983
Provision at statutory rate	\$318,016	\$99,668
1982-1983 tax proration	0	(331)
Investment credit	(2,619)	(5,737)
Depreciation under purchase accounting	1,357	(1,081)
Officer's life insurance	1,686	1,686
Prior-year tax assessment	69	1,037
Other	0	203
<b>Provision for federal income tax</b>	<b>\$318,509</b>	<b>\$95,445</b>



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